

AMENDED IN SENATE JUNE 2, 2014  
AMENDED IN ASSEMBLY APRIL 22, 2014  
AMENDED IN ASSEMBLY APRIL 3, 2014  
CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1582**

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**Introduced by Assembly Member Mullin**

February 3, 2014

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An act to amend Section 34177 of the Health and Safety Code, relating to redevelopment.

LEGISLATIVE COUNSEL'S DIGEST

AB 1582, as amended, Mullin. Redevelopment: successor agencies: Recognized Obligation Payment Schedule.

The Community Redevelopment Law authorized the establishment of redevelopment agencies in communities to address the effects of blight, as defined. Existing law dissolved redevelopment agencies as of February 1, 2012, and provides for the designation of successor agencies, as defined. Existing law requires successor agencies to wind down the affairs of the dissolved redevelopment agencies. Existing law requires a successor agency to, among other things, prepare a Recognized Obligation Payment Schedule for payments on enforceable obligations for each 6-month fiscal period.

This bill would revise the timeline for the preparation of the required Recognized Obligation Payment Schedule to provide that the successor agency prepare a schedule for a 12-month fiscal period, and would authorize the Recognized Obligation Payment Schedule to be amended by the oversight board *during a 12-month fiscal period* if the amendment

is approved at least 90 days before the date of the next property tax distribution.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 34177 of the Health and Safety Code is  
2     amended to read:  
3     34177. Successor agencies are required to do all of the  
4     following:  
5     (a) Continue to make payments due for enforceable obligations.  
6     (1) On and after February 1, 2012, and until a Recognized  
7     Obligation Payment Schedule becomes operative, only payments  
8     required pursuant to an enforceable obligations payment schedule  
9     shall be made. The initial enforceable obligation payment schedule  
10    shall be the last schedule adopted by the redevelopment agency  
11    under Section 34169. However, payments associated with  
12    obligations excluded from the definition of enforceable obligations  
13    by paragraph (2) of subdivision (d) of Section 34171 shall be  
14    excluded from the enforceable obligations payment schedule and  
15    be removed from the last schedule adopted by the redevelopment  
16    agency under Section 34169 prior to the successor agency adopting  
17    it as its enforceable obligations payment schedule pursuant to this  
18    subdivision. The enforceable obligation payment schedule may  
19    be amended by the successor agency at any public meeting and  
20    shall be subject to the approval of the oversight board as soon as  
21    the board has sufficient members to form a quorum. In recognition  
22    of the fact that the timing of the California Supreme Court's ruling  
23    in the case California Redevelopment Association v. Matosantos  
24    (2011) 53 Cal.4th 231 delayed the preparation by successor  
25    agencies and the approval by oversight boards of the January 1,  
26    2012, through June 30, 2012, Recognized Obligation Payment  
27    Schedule, a successor agency may amend the Enforceable  
28    Obligation Payment Schedule to authorize the continued payment  
29    of enforceable obligations until the time that the January 1, 2012,  
30    through June 30, 2012, Recognized Obligation Payment Schedule  
31    has been approved by the oversight board and by the Department  
32    of Finance. The successor agency may utilize reasonable estimates  
33    and projections to support payment amounts for enforceable

1 obligations if the successor agency submits appropriate supporting  
2 documentation of the basis for the estimate or projection to the  
3 Department of Finance and the auditor-controller.

4 (2) The Department of Finance and the Controller shall each  
5 have the authority to require any documents associated with the  
6 enforceable obligations to be provided to them in a manner of their  
7 choosing. Any taxing entity, the department, and the Controller  
8 shall each have standing to file a judicial action to prevent a  
9 violation under this part and to obtain injunctive or other  
10 appropriate relief.

11 (3) Commencing on the date the Recognized Obligation Payment  
12 Schedule is valid pursuant to subdivision (l), only those payments  
13 listed in the Recognized Obligation Payment Schedule may be  
14 made by the successor agency from the funds specified in the  
15 Recognized Obligation Payment Schedule. In addition, after it  
16 becomes valid, the Recognized Obligation Payment Schedule shall  
17 supersede the Statement of Indebtedness, which shall no longer  
18 be prepared nor have any effect under the Community  
19 Redevelopment Law (Part 1 (commencing with Section 33000)).

20 (4) Nothing in the act adding this part is to be construed as  
21 preventing a successor agency, with the prior approval of the  
22 oversight board, as described in Section 34179, from making  
23 payments for enforceable obligations from sources other than those  
24 listed in the Recognized Obligation Payment Schedule.

25 (5) From February 1, 2012, to July 1, 2012, a successor agency  
26 shall have no authority and is hereby prohibited from accelerating  
27 payment or making any lump-sum payments that are intended to  
28 prepay loans unless ~~such~~ the accelerated repayments were required  
29 prior to the effective date of this part.

30 (b) Maintain reserves in the amount required by indentures,  
31 trust indentures, or similar documents governing the issuance of  
32 outstanding redevelopment agency bonds.

33 (c) Perform obligations required pursuant to any enforceable  
34 obligation.

35 (d) Remit unencumbered balances of redevelopment agency  
36 funds to the county auditor-controller for distribution to the taxing  
37 entities, including, but not limited to, the unencumbered balance  
38 of the Low and Moderate Income Housing Fund of a former  
39 redevelopment agency. In making the distribution, the county  
40 auditor-controller shall utilize the same methodology for allocation

1 and distribution of property tax revenues provided in Section  
2 34188.

3 (e) Dispose of assets and properties of the former redevelopment  
4 agency as directed by the oversight board; provided, however, that  
5 the oversight board may instead direct the successor agency to  
6 transfer ownership of certain assets pursuant to subdivision (a) of  
7 Section 34181. The disposal is to be done expeditiously and in a  
8 manner aimed at maximizing value. Proceeds from asset sales and  
9 related funds that are no longer needed for approved development  
10 projects or to otherwise wind down the affairs of the agency, each  
11 as determined by the oversight board, shall be transferred to the  
12 county auditor-controller for distribution as property tax proceeds  
13 under Section 34188. The requirements of this subdivision shall  
14 not apply to a successor agency that has been issued a finding of  
15 completion by the Department of Finance pursuant to Section  
16 34179.7.

17 (f) Enforce all former redevelopment agency rights for the  
18 benefit of the taxing entities, including, but not limited to,  
19 continuing to collect loans, rents, and other revenues that were due  
20 to the redevelopment agency.

21 (g) Effectuate transfer of housing functions and assets to the  
22 appropriate entity designated pursuant to Section 34176.

23 (h) Expeditiously wind down the affairs of the redevelopment  
24 agency pursuant to the provisions of this part and in accordance  
25 with the direction of the oversight board.

26 (i) Continue to oversee development of properties until the  
27 contracted work has been completed or the contractual obligations  
28 of the former redevelopment agency can be transferred to other  
29 parties. Bond proceeds shall be used for the purposes for which  
30 bonds were sold unless the purposes can no longer be achieved,  
31 in which case, the proceeds may be used to defease the bonds.

32 (j) Prepare a proposed administrative budget and submit it to  
33 the oversight board for its approval. The proposed administrative  
34 budget shall include all of the following:

35 (1) Estimated amounts for successor agency administrative costs  
36 for the upcoming 12-month fiscal period *that corresponds to the*  
37 *fiscal year of the city, county, or city and county that created the*  
38 *former redevelopment agency.*

39 (2) Proposed sources of payment for the costs identified in  
40 paragraph (1).

1 (3) Proposals for arrangements for administrative and operations  
2 services provided by a city, county, city and county, or other entity.

3 (k) Provide administrative cost estimates, from its approved  
4 administrative budget that are to be paid from property tax revenues  
5 deposited in the Redevelopment Property Tax Trust Fund, to the  
6 county auditor-controller for each six-month fiscal period.

7 (l) (1) Before each 12-month fiscal period, to correspond with  
8 ~~the former agency's~~ fiscal year *of the city, county, or city and*  
9 *county that created the former redevelopment agency*, prepare a  
10 Recognized Obligation Payment Schedule in accordance with the  
11 requirements of this paragraph. For each recognized obligation,  
12 the Recognized Obligation Payment Schedule shall identify one  
13 or more of the following sources of payment:

14 (A) Low and Moderate Income Housing Fund.

15 (B) Bond proceeds.

16 (C) Reserve balances.

17 (D) Administrative cost allowance.

18 (E) The Redevelopment Property Tax Trust Fund, but only to  
19 the extent no other funding source is available or when payment  
20 from property tax revenues is required by an enforceable obligation  
21 or by the provisions of this part.

22 (F) Other revenue sources, including rents, concessions, asset  
23 sale proceeds, interest earnings, and any other revenues derived  
24 from the former redevelopment agency, as approved by the  
25 oversight board in accordance with this part.

26 (2) A Recognized Obligation Payment Schedule shall not be  
27 deemed valid unless all of the following conditions have been met:

28 (A) A Recognized Obligation Payment Schedule is prepared  
29 by the successor agency for the enforceable obligations of the  
30 former redevelopment agency. The initial schedule shall project  
31 the dates and amounts of scheduled payments for each enforceable  
32 obligation for the remainder of the time period during which the  
33 redevelopment agency would have been authorized to obligate  
34 property tax increment had the ~~a~~ redevelopment agency not been  
35 dissolved.

36 (B) The Recognized Obligation Payment Schedule is submitted  
37 to and duly approved by the oversight board. The successor agency  
38 shall submit a copy of the Recognized Obligation Payment  
39 Schedule to the county administrative officer, the county  
40 auditor-controller, and the Department of Finance at the same time

1 that the successor agency submits the Recognized Obligation  
2 Payment Schedule to the oversight board for approval.

3 (C) A copy of the approved Recognized Obligation Payment  
4 Schedule is submitted to the county auditor-controller, the  
5 Controller's office, and the Department of Finance, and is posted  
6 on the successor agency's Internet Web site.

7 (3) The Recognized Obligation Payment Schedule shall be  
8 forward looking to the next ~~fiscal year, for fiscal years commencing~~  
9 ~~on or~~ *12-month fiscal period, for the first 12-month fiscal period*  
10 *commencing* after January 1, 2015. The first Recognized Obligation  
11 Payment Schedule shall be submitted to the Controller's office  
12 and the Department of Finance by April 15, 2012, for the period  
13 of January 1, 2012, to June 30, 2012, inclusive. This Recognized  
14 Obligation Payment Schedule shall include all payments made by  
15 the former redevelopment agency between January 1, 2012, through  
16 January 31, 2012, and shall include all payments proposed to be  
17 made by the successor agency from February 1, 2012, through  
18 June 30, 2012. Former redevelopment agency enforceable  
19 obligation payments due, and reasonable or necessary  
20 administrative costs due or incurred, prior to January 1, 2012, shall  
21 be made from property tax revenues received in the spring of 2011  
22 property tax distribution, and from other revenues and balances  
23 transferred to the successor agency.

24 (4) The Recognized Obligation Payment Schedule may be  
25 amended by the oversight board *during a 12-month fiscal period*  
26 as long as the amendment is approved at least 90 days before the  
27 date of the next property tax distribution.

28 (m) The Recognized Obligation Payment Schedule for the period  
29 of January 1, 2013, to June 30, 2013, shall be submitted by the  
30 successor agency, after approval by the oversight board, no later  
31 than September 1, 2012. Commencing with the Recognized  
32 Obligation Payment Schedule covering the period July 1, 2013,  
33 through December 31, 2013, successor agencies shall submit an  
34 oversight board-approved Recognized Obligation Payment  
35 Schedule to the Department of Finance and to the county  
36 auditor-controller no fewer than 90 days before the date of property  
37 tax distribution. The Department of Finance shall make its  
38 determination of the enforceable obligations and the amounts and  
39 funding sources of the enforceable obligations no later than 45  
40 days after the Recognized Obligation Payment Schedule is

1 submitted. Within five business days of the department's  
2 determination, a successor agency may request additional review  
3 by the department and an opportunity to meet and confer on  
4 disputed items. The meet and confer period may vary; an untimely  
5 submittal of a Recognized Obligation Payment Schedule may result  
6 in a meet and confer period of less than 30 days. The department  
7 shall notify the successor agency and the county auditor-controllers  
8 as to the outcome of its review at least 15 days before the date of  
9 property tax distribution.

10 (1) The successor agency shall submit a copy of the Recognized  
11 Obligation Payment Schedule to the Department of Finance  
12 electronically, and the successor agency shall complete the  
13 Recognized Obligation Payment Schedule in the manner provided  
14 for by the department. A successor agency shall be in  
15 noncompliance with this paragraph if it only submits to the  
16 department an electronic message or a letter stating that the  
17 oversight board has approved a Recognized Obligation Payment  
18 Schedule.

19 (2) If a successor agency does not submit a Recognized  
20 Obligation Payment Schedule by the deadlines provided in this  
21 subdivision, the city, county, or city and county that created the  
22 redevelopment agency shall be subject to a civil penalty equal to  
23 ten thousand dollars (\$10,000) per day for every day the schedule  
24 is not submitted to the department. The civil penalty shall be paid  
25 to the county auditor-controller for allocation to the taxing entities  
26 under Section 34183. If a successor agency fails to submit a  
27 Recognized Obligation Payment Schedule by the deadline, any  
28 creditor of the successor agency or the Department of Finance or  
29 any affected taxing entity shall have standing to and may request  
30 a writ of mandate to require the successor agency to immediately  
31 perform this duty. Those actions may be filed only in the County  
32 of Sacramento and shall have priority over other civil matters.  
33 Additionally, if an agency does not submit a Recognized Obligation  
34 Payment Schedule within 10 days of the deadline, the maximum  
35 administrative cost allowance for that period shall be reduced by  
36 25 percent.

37 (3) If a successor agency fails to submit to the department an  
38 oversight board-approved Recognized Obligation Payment  
39 Schedule that complies with all requirements of this subdivision  
40 within five business days of the date upon which the Recognized

Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the department may determine if any amount should be withheld by the county auditor-controller for payments for enforceable obligations from distribution to taxing entities, pending approval of a Recognized Obligation Payment Schedule. The county auditor-controller shall distribute the portion of any of the sums withheld pursuant to this paragraph to the affected taxing entities in accordance with paragraph (4) of subdivision (a) of Section 34183 upon notice by the department that a portion of the withheld balances are in excess of the amount of enforceable obligations. The county auditor-controller shall distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule approved by the department. County auditor-controllers shall lack the authority to withhold any other amounts from the allocations provided for under Section 34183 or 34188 unless required by a court order.

(4) (A) The Recognized Obligation Payment Schedule payments required pursuant to this subdivision may be scheduled beyond the existing Recognized Obligation Payment Schedule cycle upon a showing that a lender requires cash on hand beyond the Recognized Obligation Payment Schedule cycle.

(B) When a payment is shown to be due during the Recognized Obligation Payment Schedule period, but an invoice or other billing document has not yet been received, the successor agency may utilize reasonable estimates and projections to support payment amounts for enforceable obligations if the successor agency submits appropriate supporting documentation of the basis for the estimate or projection to the department and the auditor-controller.

(C) A Recognized Obligation Payment Schedule may also include appropriation of moneys from bonds subject to passage during the Recognized Obligation Payment Schedule cycle when an enforceable obligation requires the agency to issue the bonds and use the proceeds to pay for project expenditures.

(n) Cause a postaudit of the financial transactions and records of the successor agency to be made at least annually by a certified public accountant.

(o) The changes made by the act that added this subdivision shall not be construed to alter the semiannual distribution of Redevelopment Property Tax Trust Fund payments made in



- 1 accordance with the projected payment schedule of the approved
- 2 Recognized Obligation Payment Schedule.

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